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C O N F I D E N T I A L SECTION 01 OF 02 BEIJING 002690

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E.O. 12958: DECL: 09/18/2019

TAGS: [ETRD](#) [EFIN](#) [ECON](#) [PREL](#) [WTRO](#) [CH](#)

SUBJECT: TIRE CASE: SOY BEANS NEXT?

REF: A. BEIJING 2671

[1](#)B. BEIJING 2660

[1](#)C. BEIJING 2656 BEIJING 2630

[1](#)D. BEIJING 2525

[1](#)E. BEIJING 02441

[1](#)F. BEIJING 2299

[1](#)G. STATE 85673

[1](#)H. BEIJING 2439

Classified By: This message classified by Econ Minister Counselor William Weinstein for reasons 1.4 (b), (d) and (e).

[1](#)1. (C) SUMMARY: Chinese media September 18 raised possible tire dispute-inspired trade remedies against U.S. soybean and auto product imports. The Ministry of Commerce (MOFCOM) has not released any petition on U.S. auto products, but unconfirmed press reports said NDRC met with Chinese industry groups this week. We note that though China's soybean producers have consistently called for sanctions against U.S. soy bean imports, and have unsuccessfully sought government relief from U.S. imports for years, they are and still unlikely to get action due to government restraint and market conditions. Overall, however, press and blogosphere attention continued to deflate and our contacts describe discussion of tires as "pretty quiet". END SUMMARY.

[1](#)2. (C) Press discussion of retaliation against soy beans is dwindling, although the Global Times (circulation 1.5 million), called in a September 17 editorial for an AD/CVD case against imports of U.S. soy beans, claiming low-priced U.S. soy beans threaten domestic production. The only indication of PRC official views came in press reports quoting the National Development and Reform Commission (NDRC) as believing the USG provides "large amounts of subsidies to its farmers and dumped soybeans in China." However, the NDRC website is silent on soy.

THE CHINESE SOY MARKET NEEDS U.S. BEANS

[1](#)3. (C) De facto mutual dependence makes Chinese tire-provoked retaliation in the soy sphere seem unlikely. The Chinese rely on imported soy because of growing domestic demand and limited arable land. As a result, imports have risen 380 percent in the last ten years, with 50 percent of those imports now U.S.-sourced. The Chinese market in turn is a substantial one for U.S. exporters, with soybeans the single largest U.S. export to China in 2008 by value at USD 7.3

billion. By volume, our exports here have grown from near 10 million metric tones in 2005 to just over 16 million in 2008.

China especially relies on U.S. imports during the main U.S. shipping season of October to February, when no other exporter can provide volumes needed.

14. (C) Should China defy its own interests and choose to retaliate in this sector, in addition to an anti-dumping/countervailing duties (AD-CVD) case, it could also stop issuing new import certificates, cancel existing ones, or erect unfounded sanitary or phytosanitary barriers. We think it telling, however, that the Beijing-based U.S. soy exporters are "not nervous," according to American Chamber of Commerce in Beijing (AmCham) CEO Mike Barbalas. Barbalas told us September 18 that his members assumed China would initiate cases on poultry and auto products, as the PRC "said it would," but that his general membership and companies are not particularly concerned. He noted that the PRC takes some kind of small largely-symbolic action on U.S. soybean imports every year, but did not foresee this year's actions being escalated over tires.

LOCAL AND PRESS REACTIONS

15. (C) A professor from the Chinese Academy of Sciences said retaliation would be tit-for-tat, that China was waiting to see if other U.S. cases were filed. Another AmCham contact said that the Chinese response to the U.S. sanctions would be measured, invoke WTO dispute resolution mechanisms, and serve as a positive step for global trade. An industry economic analyst expected that the Chinese response would not move beyond chicken and autos.

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16. (C) September 18 general press coverage of tires was limited to three smaller scale papers with circulations of about 500,000 and the 1.5 million-circulation Global Times. The smaller outlets ranged from saying China should also retaliate financially, to quoting a scholar who minimized the issue as a "commercial issue rather than a conflict of national interest." The Global Times complained that the new U.S. CVD case against Chinese steel tubes was more protectionism. Ministry websites were absent of tire coverage. Blogosphere commentary continued to dwindle.

HUNTSMAN